Economic Growth….Or What?

John Struthers: Director of CAREED
University of West of Scotland
Economic Growth: Why is it Controversial?

a. How to measure growth
b. What should be included/excluded
c. Growth and Income Distribution
d. Growth and the environment (Net Zero)
e. Recent debates over Happiness, the Circular Economy, and Wellbeing (especially in Scotland!).
The Big Questions:

1. Measurement: and what should be included eg household labour- esp gender specific aspects; child labour in LDCs; social value and economic value; calibration issues;


3. Focus on GDP may also ignore environmental degradation. How to balance incentives and sanctions in this regard?

4. Can we really measure Wellbeing and Happiness and be able to compare these across different countries? How does culture fit in?

5. GDP as the basis for calculating economic growth is: simple; easy to compile and facilitates int comparisons. See UN GDP per capita classifications. Several categories used not just 2 (eg Less Developed Countries are distinct from the Least Developed Countries). Progress up the scale is easy to identify, whilst recognizing the role of the Informal Economy in this context.
2. Some Growth Models

a. Harrod-Domar (H-D) Model
\[ G = s/k \] (s is savings; k is capital-output ratio) G is Natural Growth Rate; Gw is Warranted Growth Rate.

b. Solow-Swan Growth Model
Production Function approach with L, K, T (T is Technological Progress and is exogenous). Capital accumulation and population growth also. Assumes decreasing marginal returns to capital. H-D assumes this is constant.

c. Endogenous Growth Models
(Romer et al), T is endogenous, with cluster/agglomeration/human capital/learning by doing effects. Big role for education and innovation.
Discussion Points

a) These and other models of economic growth can encapsulate some of the controversial issues above- e.g. Harrod-Domar Natural Rate of Economic Growth can embrace a more balanced approach to growth (Net Zero?).

b) They also resonate with key scriptures: Genesis 1:26, 28; Proverbs 21:20..."a wise man has stores of choice food and oil but a foolish man devours all he has..." (need for Savings). Plus the need for humans to flourish and develop (Psalms 115:14).
Conclusions

1. The Bible often refers to work and productivity (Jeremiah 29:5-7); to husbandry, especially in relation to the land (good harvests, though this also applies to our spiritual lives of course);

2. Hard to find any scripture that says we should produce less! However, several scriptures say that we should care for God’s creation which includes the earth and everything on it: Genesis 2:15 ...in the Garden of Eden to work it and take care of it...; Leviticus 25:1-7...But in the Seventh year the land is to have a Sabbath of rest...

3. Current debates on Economic Growth do not usually bring God into the picture, especially the ongoing debate on Climate Change which is often hysterical; finger pointing; and virtue signaling. Is there really such a thing as Climate Justice, apart from in an abstract sense? Can it ever really be operationalized, except at a very local or disaggregated level?

4. This is not a “do nothing” attitude. As Christians we should put our full trust in The Lord. We do not know everything. God knows the...“end from the beginning”... including on the question of climate change- but also on issues such as rising poverty levels, increased global migration etc- which in themselves need economic growth to tackle as resources have to be mobilized.

5. Economic growth is necessary for us to flourish on this earth and reach our full potential. In any case, even policies to mitigate the adverse effects of economic growth require investment and are therefore growth inducing.